

 **FOUNDER HOLDINGS LIMITED**  
**方正控股有限公司\***

(Incorporated in Bermuda with limited liability)  
(Stock Code: 0418)

**CONNECTED TRANSACTION**

On 31 October 2005, Founder Order, a wholly-owned subsidiary of the Company, entered into the Software Development Agreement with Founder International, a wholly-owned subsidiary of Founder Japan, which in turn is a 45.69% owned associated company of Peking Founder, in respect of the software development for the AFC System Project of the Beijing Subway.

Peking Founder has a shareholding interest of approximately 32.67% in the Company and is the controlling shareholder and a connected person of the Company under the Listing Rules. Founder International is an associate of Peking Founder under the Listing Rules as Founder International is indirectly owned as to 45.69% by Peking Founder. Accordingly, the Software Development Agreement entered into between Founder Order and Founder International constitutes a connected transaction for the Company pursuant to the Listing Rules. The Software Development Agreement is carried out in the ordinary and usual course of business of Founder Order and is on normal commercial terms. The relevant percentage ratios are less than 25% and the total consideration is less than HK\$10 million. Pursuant to Rule 14A.32 of the Listing Rules, the transaction is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, and is exempt from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

**THE SOFTWARE DEVELOPMENT AGREEMENT**

**Parties :** Founder Order  
Founder International

On 31 October 2005, Founder Order, a wholly-owned subsidiary of the Company, entered into the Software Development Agreement with Founder International, a wholly-owned subsidiary of Founder Japan, which in turn is a 45.69% owned associated company of Peking Founder. Pursuant to the Software Development Agreement, Founder Order has engaged Founder International to develop a software for the AFC System Project of the Beijing Subway. Founder International is required to complete the software development by November 2006.

The total consideration of the Software Development Agreement is RMB10 million (equivalent to approximately HK\$9.6 million), out of which Founder Order paid RMB5.5 million to Founder International on 31 October 2005. The remaining RMB4.5 million shall be paid by Founder Order to Founder International on or before 30 December 2006 upon completion of the software development of the AFC System Project.

The consideration of the software development under the Software Development Agreement was agreed with reference to the charging rate of Founder International and the estimated man hours required to complete the project. The Company understands that such charging rate is no less favourable than the rate charged by the Founder Japan Group to its third party customers. The number of estimated man hours was negotiated and agreed between Founder International and Founder Order after arm's length negotiations based on the specific scope of work under the Software Development Agreement. Based on the experience and professional knowledge of the management of Founder Order in the software development industry in the PRC, the Company considers that the estimated number of man hours for Founder International to complete the project under the Software Development Agreement is fair and reasonable. The Board (including the independent non-executive Directors) considers that the terms of the Software Development Agreement, which were arrived at after arm's length negotiations between Founder Order and Founder International, are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

**REASONS FOR THE TRANSACTION**

The Group is principally engaged in software development and systems integration relating to the media industry and certain other industries, and the distribution of information products in the PRC. Founder Order is principally engaged in the provision of systems integration focusing on the banking and securities sectors.

Founder International is principally engaged in software development. Founder International is a wholly-owned subsidiary of Founder Japan. The Founder Japan Group has experience and expertise in software development relating to automatic fare collection system.

Founder Order is a contractor engaged by 北京市轨道交通建设管理有限公司 (Beijing Railway Transport Construction Management Company Limited) in respect of the AFC System Project and is mainly responsible for the software related part of the project. Founder Order specialises in the provision of systems integration services relating to the banking and securities sectors in the PRC. The AFC System Project represents the Group's first step in the development of fare collection and ticketing system for railway systems by capitalising its experience and expertise gained in the banking and securities sectors. Part of the development of an automatic fare collection system for a railway system involves specialised technical knowledge. Founder Order therefore decided to engage Founder International which has the necessary experience and expertise to develop part of the software for the AFC System Project pursuant to the Software Development Agreement.

**CONNECTED TRANSACTION**

Peking Founder has a shareholding interest of approximately 32.67% in the Company and is the controlling shareholder and a connected person of the Company under the Listing Rules. Founder International is an associate of Peking Founder under the Listing Rules as Founder International is indirectly owned as to 45.69% by Peking Founder. Accordingly, the Software Development Agreement entered into between Founder Order and Founder International constitutes a connected transaction for the Company pursuant to the Listing Rules. The Software Development Agreement is carried out in the ordinary and usual course of business of Founder Order and is on normal commercial terms. The relevant percentage ratios are less than 25% and the total consideration is less than HK\$10 million. Pursuant to Rule 14A.32 of the Listing Rules, the transaction under the Software Development Agreement is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, and is exempt from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

**GENERAL**

The Board comprises Mr Cheung Shuen Lung (Chairman), Professor Xiao Jian Guo (Deputy Chairman), Professor Wei Xin, Mr Zhang Zhao Dong and Mr Xia Yang Jun (each of whom an executive Director), Dr Hu Hung Lick, Henry, Mr Li Fat Chung and Ms Wong Lam Kit Yee (each of whom an independent non-executive Director).

**DEFINITION**

"associate(s)"	has the meaning as ascribed to it in the Listing Rules
"AFC System Project"	the project of the Beijing Subway to install a new automatic fare collection system
"Beijing Subway"	the 5th Line of the Beijing Subway
"Board"	the board of Directors
"Company"	Founder Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Directors"	the directors of the Company
"Founder International"	Beijing Founder International Co., Limited (北京方正國際軟件系統有限公司), a wholly-owned subsidiary of Founder Japan
"Founder Japan"	方正株式會社 (Founder International Inc.*), a company incorporated in Japan with limited liability and is indirectly owned as to 45.69% by Peking Founder
"Founder Japan Group"	Founder Japan and its subsidiaries
"Founder Order"	Beijing Founder Order Computer System Co., Limited (北京方正奧德計算機系統有限公司), a wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Peking Founder"	Peking University Founder Group Company Limited, the controlling shareholder of the Company, which holds approximately 32.67% of the issued share capital of the Company
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Software Development Agreement"	the software development agreement entered into between Founder Order and Founder International on 31 October 2005
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

*For illustrative purposes only, RMB is converted into HK\$ at the rate of HK\$1.00 = RMB1.04 in this announcement*

By Order of the Board  
**Founder Holdings Limited**  
**Cheung Shuen Lung**  
Chairman

Hong Kong, 7 November 2005

\* For identification purposes only

*Please also refer to the published version of this announcement in  
The Standard and Sing Tao Daily.*